

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Grosse Pointe Public Library</u>	County: <u>Wayne</u>
Audit Date <u>June 30, 2005</u>	Opinion Date <u>July 15, 2005</u>	Date Accountant Report Submitted To State: <u>September 28, 2005</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address <u>10 South Main Street, Suite 200</u>	City <u>Mount Clemens</u>	State <u>MI</u>	ZIP <u>48043-7903</u>
Accountant Signature 			

Grosse Pointe Public Library

Financial Report

June 30, 2005

Grosse Pointe Public Library

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Independent Auditor's Report

To the Board of Trustees
Grosse Pointe Public Library

We have audited the accompanying financial statements of the Grosse Pointe Public Library, including the Library's individual governmental funds, the Library as a whole, and the budgetary comparison statements, as of and for the year ended June 30, 2005. We did not audit the financial statements of the Grosse Pointe Library Foundation, the discretely presented component unit, which statements reflect total assets of \$1,247,018 as of December 31, 2004 and total revenues of \$1,323,308 for the year then ended. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Grosse Pointe Library Foundation, is based solely on the report of the other auditor. Collectively, these statements comprise the Library's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Grosse Pointe Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based upon our audit and that of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of the Grosse Pointe Public Library, including the Library's individual governmental funds, the Library as a whole, the budgetary comparison statements, and the discretely presented component unit as of and for the year ended June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

The library management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

July 15, 2005



A worldwide association of independent accounting firms

Grosse Pointe Public Library

Library Management's Discussion and Analysis

Using this Annual Financial Report

This annual report consists of two parts:

- Library management's discussion and analysis (MD&A)
- Basic financial statements, audited by Plante & Moran, PLLC

The MD&A is intended to serve as an overview analysis of the financial condition and operating results of the Library.

Please direct questions regarding this report to:

Vickey Bloom, Library Director
Grosse Pointe Public Library
10 Kercheval Avenue
Grosse Pointe Farms, MI 48236
(313) 343-2074

Grosse Pointe Public Library

Library Management's Discussion and Analysis (Continued)

The basic financial statements on pages 6 through 11 include information that presents two different views of the Library using the modified-accrual and full-accrual methods.

The first five columns of the individual fund balance sheet/statement of net assets and the individual funds statement of revenue, expenditures, and changes in fund balance/statement of activities include information about the Library's General Fund, Capital Projects Fund, 2003 Park Capital Projects Fund, 2004 Woods Capital Projects Fund, and Debt Service Fund under the modified-accrual method. The modified-accrual basis focuses on current financial resources and provides a more detailed view about the accountability of the Library's sources and uses of funds.

The adjustment column of the financial statements represents adjustments necessary to convert the modified-accrual financial statements to the Library as a whole financial statements under the full-accrual method. The full-accrual basis focuses on long-term economic resources.

The Library as a whole column provides both long-term and short-term information about the Library's overall financial status. The Library as a whole statement of net assets - full-accrual basis column and the Library as a whole statement of activities - full-accrual basis column provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These columns tell how these services were financed in the short-term, as well as what remains for future spending.

The last column represents the Grosse Pointe Library Foundation, a discretely presented component unit of the Library.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Grosse Pointe Public Library

Library Management's Discussion and Analysis (Continued)

Condensed Financial Information

The table below shows key financial information under the full-accrual method in a condensed format. Note: Amounts and totals reported are for all Library activities (including general operations, capital projects, and debt activity), to give a complete picture.

TABLE 1	June 30	
	2005	2004
Assets		
Current assets	\$ 14,914,820	\$ 13,550,385
Capital assets	15,342,479	7,670,694
Total assets	30,257,299	21,221,079
Liabilities		
Other liabilities	1,352,261	418,681
Long-term liabilities	18,426,346	9,916,955
Total liabilities	19,778,607	10,335,636
Net Assets		
Investment in capital assets - Net of related debt	3,007,588	4,047,715
Restricted for capital projects	185,644	42,690
Unrestricted	7,285,460	6,795,038
Total net assets	<u><u>\$ 10,478,692</u></u>	<u><u>\$ 10,885,443</u></u>
TABLE 2	Year Ended June 30	
	2005	2004
Revenue		
Property taxes	\$ 4,257,657	\$ 4,364,360
Other	556,632	387,156
Total revenue	4,814,289	4,751,516
Expenses	5,221,040	3,613,462
Changes in Net Assets	<u><u>\$ (406,751)</u></u>	<u><u>\$ 1,138,054</u></u>
The Library as a Whole		

The Library's net assets decreased by \$406,751 this year. The Library's primary source of revenue (approximately 88 percent) is from property taxes, which fund both the General Fund and the Capital Projects Fund.

Grosse Pointe Public Library

Library Management's Discussion and Analysis (Continued)

Salaries and fringe benefits continue to be the largest expense for the Library, which equates to approximately 40 percent of the Library's total expenditures. Health insurance is offered through a cafeteria plan to full-time employees and part-time employees who work 20 or more hours per week. The Library's expenditures increased over the prior year primarily due to increases in temporary library and clerical salaries due to the new Ewald branch, one half of a full-time new position and part-time fringe benefits being added, bond related expenditures that are not capitalized but remain expensed for the Library as a whole, and employee benefits and salary changes due to labor contract ratifications. The salary/wage schedule received a 3 percent increase.

The Library's Funds

The budgetary analysis of the General Fund is included on pages 10 and 11, which shows the General Fund, the Library's major operating fund, including revenues and expenditures, excess of revenue over expenditures, and fund balance.

As noted above, the largest use of resources during the 2004-2005 fiscal year was for personnel - salaries and wages. This is typical of service organizations that are open to the public seven days a week, year round.

Library's Budgetary Highlights

Over the course of the year, the Library board of trustees amended the General Fund's budget to address unplanned needs and events that occurred during the year. The General Fund amendments addressed increases in temporary library and clerical salaries due to the new Ewald branch, and employee benefits and salaries due to labor contract ratifications.

Significant variances in the General Fund's revenues were due to a reduction in state aid and increase in interest rates.

Capital Assets and Long-term Debt Activity

At the end of the fiscal year, the Library had \$18,170,587 invested in land, building, improvements, furniture and equipment, books, and materials, including media based on the historical cost and estimated historical cost basis. During the year, a total of \$871,464 was spent to replace furniture and equipment, including computer technology and books. During the year, a total of \$7,349,400 was spent on building and site improvements, which was classified as construction in progress at June 30, 2005.

The Library's long-term debt activity consists of capped accumulated compensated employee absences (sick and vacation leave) to be paid to eligible employees upon retirement.

The Library issued bonds during the current year totaling \$8,580,000 for the construction of a new library.

Grosse Pointe Public Library

	Individual Library Funds				
	General Fund	Capital Projects Fund	2003 Park Capital Projects Fund	2004 Woods Capital Projects Fund	Debt Service Fund
Assets					
Cash and cash equivalents (Note 4)	\$ 2,123,391	\$ 5,192,160	\$ 3,484,622	\$ 3,867,071	\$ -
Due from Capital Projects Fund	7,388	-	-	-	-
Receivables:					
Taxes	-	177,576	-	-	-
Contributions	-	-	-	-	-
Fines - Wayne County	70,000	-	-	-	-
Deposits and other	-	-	-	-	-
Capital assets (Note 5)	-	-	-	-	-
Total assets	<u>\$ 2,200,779</u>	<u>\$ 5,369,736</u>	<u>\$ 3,484,622</u>	<u>\$ 3,867,071</u>	<u>\$ -</u>
Liabilities					
Accounts payable	\$ 11,027	\$ -	\$ 225,452	\$ 887,227	\$ -
Accrued and other liabilities	67,320	-	-	8,261	-
Due to General Fund	-	7,388	-	-	-
Long-term liabilities (Note 6):					
Due within one year	-	-	-	-	-
Due beyond one year	-	-	-	-	-
Total liabilities	78,347	7,388	225,452	895,488	-
Fund Balances - Unreserved					
Designated:					
Capital projects	-	5,362,348	3,259,170	2,971,583	-
Development programs	79,920	-	-	-	-
Undesignated	2,042,512	-	-	-	-
Total fund balances	<u>2,122,432</u>	<u>5,362,348</u>	<u>3,259,170</u>	<u>2,971,583</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,200,779</u>	<u>\$ 5,369,736</u>	<u>\$ 3,484,622</u>	<u>\$ 3,867,071</u>	<u>\$ -</u>
Net Assets					
Invested in capital assets - Net of related debt					
Restricted for capital projects					
Restricted - Other					
Unrestricted					
Total net assets					

Individual Funds Balance Sheet/Statement of Net Assets
June 30, 2005

Total - Modified- accrual Basis	GASB No. 34 Adjustments (Note 2)	Library as a Whole		Component Unit
		Statement of Net Assets - Full-accrual Basis		
\$ 14,667,244	\$ -	\$ 14,667,244	\$ 1,157,163	
7,388	(7,388)	-	-	
			-	
177,576	-	177,576	-	
-	-	-	50,599	
70,000	-	70,000	-	
-	-	-	4,113	
-	15,342,479	15,342,479	6,187	
\$ 14,922,208	15,335,091	30,257,299	\$ 1,218,062	
\$ 1,123,706	-	1,123,706	\$ -	
75,581	152,974	228,555	-	
7,388	(7,388)	-	-	
-	182,280	182,280	-	
-	18,244,066	18,244,066	-	
1,206,675	18,571,932	19,778,607	-	
11,593,101	(11,593,101)	-		
79,920	(79,920)	-		
2,042,512	(2,042,512)	-		
13,715,533	(13,715,533)	-		
\$ 14,922,208				
	3,007,588	3,007,588	-	
	185,644	185,644	-	
	-	-	60,599	
	7,285,460	7,285,460	1,157,463	
	\$ 10,478,692	\$ 10,478,692	\$ 1,218,062	

Grosse Pointe Public Library

	Individual Library Funds				
	General	Capital	2003 Park	2004 Woods	Debt
	Fund	Projects	Capital	Capital Projects	
		Fund	Projects Fund	Fund	Service
Revenue					
Property taxes	\$ 2,883,240	\$ 1,374,417	\$ -	\$ -	\$ -
State sources	94,176	-	-	-	-
Interest	36,259	81,909	61,508	81,446	-
Gifts	4,099	-	-	-	-
Development	82,373	-	-	-	-
Fines, rentals, and other	114,862	-	-	-	-
Total revenue	3,215,009	1,456,326	61,508	81,446	-
Expenditures					
Salaries	1,583,270	-	-	-	-
Employee benefits	458,839	-	-	-	-
Purchased services	586,028	-	124,493	933,748	-
Supplies	679,171	-	-	-	-
Capital outlay	11,585	202,405	3,118,558	4,060,071	-
Development programs	95,602	-	-	-	-
Depreciation	-	-	-	-	-
Other	1,366	-	75,030	105,668	-
Debt service - Principal and interest	-	-	-	-	780,931
Total expenditures	3,415,861	202,405	3,318,081	5,099,487	780,931
Excess of Revenue Over (Under)					
Expenditures	(200,852)	1,253,921	(3,256,573)	(5,018,041)	(780,931)
Other Financing Sources (Uses)					
Long-term debt issued	-	-	-	8,580,000	-
Discount on long-term debt issued	-	-	-	(81,077)	-
Operating transfers in	-	509,299	-	-	780,931
Operating transfers out	-	(780,931)	-	(509,299)	-
Total other financing sources (uses)	-	(271,632)	-	7,989,624	780,931
Net Changes in Fund Balances/Net Assets	(200,852)	982,289	(3,256,573)	2,971,583	-
Fund Balances/Net Assets - Beginning of year	2,323,284	4,380,059	6,515,743	-	-
Fund Balances/Net Assets - End of year	<u>\$ 2,122,432</u>	<u>\$ 5,362,348</u>	<u>\$ 3,259,170</u>	<u>\$ 2,971,583</u>	<u>\$ -</u>

**Individual Funds Statement of Revenue, Expenditures, and Changes
in Fund Balances/Statement of Activities
Year Ended June 30, 2005**

Total - Modified- accrual Basis	GASB No. 34 Adjustments (Note 2)	Library as a Whole Statement of Activities	
		- Full-accrual Basis	Component Unit
\$ 4,257,657	\$ -	\$ 4,257,657	\$ -
94,176	-	94,176	-
261,122	-	261,122	4,330
4,099	-	4,099	1,192,868
82,373	-	82,373	-
<u>114,862</u>	<u>-</u>	<u>114,862</u>	<u>126,110</u>
4,814,289	-	4,814,289	1,323,308
1,583,270	29,391	1,612,661	93,021
458,839	-	458,839	2,786
1,644,269	(933,748)	710,521	65,349
679,171	(560,391)	118,780	-
7,392,619	(6,750,020)	642,599	-
95,602	-	95,602	-
-	525,784	525,784	-
182,064	(40,792)	141,272	19,178
<u>780,931</u>	<u>52,974</u>	<u>833,905</u>	<u>-</u>
<u>12,816,765</u>	<u>(7,676,802)</u>	<u>5,139,963</u>	<u>180,334</u>
(8,002,476)	7,676,802	(325,674)	1,142,974
8,580,000	(8,580,000)	-	-
(81,077)	-	(81,077)	-
1,290,230	(1,290,230)	-	-
<u>(1,290,230)</u>	<u>1,290,230</u>	<u>-</u>	<u>-</u>
<u>8,498,923</u>	<u>(8,580,000)</u>	<u>(81,077)</u>	<u>-</u>
496,447	(903,198)	(406,751)	1,142,974
<u>13,219,086</u>	<u>(2,333,643)</u>	<u>10,885,443</u>	<u>104,044</u>
<u>\$ 13,715,533</u>	<u>\$ (3,236,841)</u>	<u>\$ 10,478,692</u>	<u>\$ 1,247,018</u>

Grosse Pointe Public Library

Budgetary Comparison Statement - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Revenue				
Property taxes	\$ 2,880,742	\$ 2,880,742	\$ 2,883,240	\$ 2,498
County and state aid	80,000	80,000	94,176	14,176
Interest	10,000	10,000	36,259	26,259
Gifts	-	-	4,099	4,099
Development	79,850	79,850	82,373	2,523
Fines and rentals	90,000	90,000	108,488	18,488
Penal fines	-	-	-	-
Other	-	-	6,374	6,374
Total revenue	3,140,592	3,140,592	3,215,009	74,417
Expenditures				
Salaries:				
Administration	229,123	248,241	248,241	-
Board of trustees	3,780	3,009	2,580	429
Librarians	487,560	612,694	612,445	249
Support staff	442,333	433,496	488,930	(55,434)
Temporary librarian	68,000	66,702	64,667	2,035
Temporary clerical	80,000	91,650	91,650	-
Students	86,751	80,473	74,757	5,716
Total salaries	1,397,547	1,536,265	1,583,270	(47,005)
Employee benefits:				
Employee benefits	194,000	229,862	229,862	-
Retirement	100,000	91,184	89,446	1,738
Payroll taxes	107,000	107,000	125,728	(18,728)
Workers' compensation	12,295	13,803	13,803	-
Unemployment compensation	6,500	6,500	-	6,500
Total employee benefits	419,795	448,349	458,839	(10,490)
Purchased services:				
Professional/Management fees	71,525	57,035	57,035	-
Legal fees	45,000	42,894	32,890	10,004
Audit fees	9,400	9,400	9,400	-
Library network	5,620	6,618	6,618	-
Staff development	16,500	16,500	11,528	4,972
Program fees	50,600	50,600	48,439	2,161
Telephone	48,000	47,002	34,882	12,120
Printing	34,500	34,500	24,846	9,654
Utilities	66,660	66,660	41,037	25,623
General liability insurance	19,000	21,106	21,106	-
Repairs and maintenance	121,000	131,796	231,796	(100,000)
Development	50,785	50,785	50,785	-
Rent	15,667	15,667	15,666	1
Total purchased services	554,257	550,563	586,028	(35,465)

The Notes to Financial Statements are an
Integral Part of this Statement.

Grosse Pointe Public Library

Budgetary Comparison Statement - General Fund (Continued) Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Expenditures (Continued)				
Supplies:				
Audiovisual	\$ 111,350	\$ 111,530	\$ 107,715	\$ 3,815
Micro software	71,325	73,325	72,072	1,253
Library books	306,400	366,400	342,314	24,086
Periodicals	55,170	55,170	47,951	7,219
Auto expense	2,100	2,100	1,732	368
Building supplies	9,500	10,271	10,271	-
Administrative supplies	59,000	78,204	78,084	120
Postage	22,000	19,584	18,372	1,212
Memberships	950	950	660	290
Total supplies	637,795	717,534	679,171	38,363
Capital outlay:				
New furniture and equipment	7,256	7,256	3,791	3,465
Replacement furniture	8,500	8,500	7,794	706
Total capital outlay	15,756	15,756	11,585	4,171
Development programs:				
Books on the Lake	40,000	40,000	30,888	9,112
Senior symposium	25,000	25,000	14,348	10,652
New programs	-	-	-	-
Development books	26,500	26,500	18,465	8,035
Development tools	1,400	1,400	311	1,089
Existing programs	46,000	46,000	31,590	14,410
Strategic planning	20,000	20,000	-	20,000
Total development programs	158,900	158,900	95,602	63,298
Other expenses - Tax refunds	700	1,366	1,366	-
Total expenditures	3,184,750	3,428,733	3,415,861	12,872
Excess of Expenditures Over Revenue	(44,158)	(288,141)	(200,852)	87,289
Fund Balance - July 1, 2004	2,090,563	2,323,284	2,323,284	-
Fund Balance - June 30, 2005	\$ 2,046,405	\$ 2,035,143	\$ 2,122,432	\$ 87,289

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2005

Note I - Summary of Significant Accounting Policies

The Grosse Pointe Public Library (the "Library") serves the Grosse Pointe communities and a portion of Harper Woods. The accounting policies of the Grosse Pointe Public Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library:

Reporting Entity

The Library is governed by a seven-member board of trustees and managed by a library director. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial report.

Discretely Presented Component Unit - The following nonmajor component unit is reported within the component unit column in the government-wide financial statements to emphasize that they are legally separate from the Library. Financial statements for the individual component unit are available at the Library's office.

The board of trustees of the Library established a private foundation, the Grosse Pointe Library Foundation (the "Foundation") to serve as a fund-raising and communication arm on behalf of the Grosse Pointe Public Library. The Foundation is a privately held 501(c)(3) with its own 10-member board of directors. The Foundation solicits and administers funds for capital, endowment, and special projects. The Foundation's governing body consists of seven individuals. During the year, the Foundation conducted various activities on behalf of the Library, including fund raising and donor relating. In return for these services, the Library paid the Foundation \$124,305. There are three common board members between the Library and the Foundation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both the Library as a whole and its individual fund financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

Library as a Whole Financial Statements

The Library as a whole financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets - net of related debt, restricted net assets, and unrestricted net assets.

The statement of activities includes depreciation on long-term assets and eliminates capital outlay expense.

As a general rule, the effect of interfund activity has been eliminated from the library-wide financial statements.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the library-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental funds:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund was established during the fiscal year ended June 30, 1998 through a residual equity transfer from the General Fund. It is used to record the disbursement of monies specifically designated for acquiring new technology and equipment and for major remodeling and repairs. The fund will be retained until the purpose for which the fund was created has been accomplished.

2003 Park Capital Projects Fund - The 2003 Park Capital Projects Fund was established during the fiscal year ended June 30, 2004 through the issuance of general obligation bonds. It is used to record the disbursement of monies specifically designated for acquiring property, constructing, and all related costs associated with the Grosse Pointe Public Library - Carolyn and Ted Ewald Branch.

2004 Woods Capital Projects Fund - The 2004 Woods Capital Projects Fund was established during the current year through the issuance of general obligation bonds. It is used to record the disbursement of monies specifically designated for acquiring property, constructing, and all related costs associated with the Grosse Pointe Public Library - Woods Branch.

Debt Service Fund - The Debt Service Fund was established to make principal and interest payments on the Grosse Pointe Public Library's debt.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Investments are recorded at fair value as of June 30, 2005 based on quoted market prices.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the Library totaled approximately \$2.9 billion, on which ad valorem taxes levied consisted of 1.5 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$4.3 million and are recognized in the General Fund and Capital Projects Fund financial statements as tax revenue.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture and equipment, library books, periodicals, and videos are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	7-50 years
Furniture and equipment	5-20 years
Library books and audiovisual materials	5-10 years

Compensated Absences (Vacation and Sick Leave) - Through contractual obligations, employees are permitted to accumulate earned but unused sick and vacation pay benefits subject to certain limitations. All vacation and sick pay is accrued when incurred in the library-wide financial statements. A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year end.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2005

Note 2 - Reconciliation of the Library as a Whole and the Individual Funds Financial Statements

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and changes in net assets of the Library as a whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheet and statements of revenue, expenditures, and change in fund balances. The following is a reconciliation of fund balances to net assets and the net changes in fund balances to the net change in net assets.

Total Fund Balance - Modified-accrual Basis	\$ 13,715,533
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Amounts reported in the statement of net
assets are different because:

Capital assets are not financial resources and are not reported in the funds	15,342,479
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Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(18,380,000)
Compensated absences	(46,346)

Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(152,974)
--	-----------

Total Net Assets - Full-accrual Basis	<u>\$ 10,478,692</u>
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Grosse Pointe Public Library

Notes to Financial Statements June 30, 2005

Note 2 - Reconciliation of the Library as a Whole and the Individual Funds Financial Statements (Continued)

Net Change in Fund Balances - Modified-accrual Basis	\$ 496,447
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books and audiovisual materials	560,391
Capitalized capital outlay, net of disposals	7,724,560
Depreciation	(525,784)

Bond issuances are reported as an other financing source in the fund statements but not in the statement of activities (where it increases long-term debt)	(8,580,000)
--	-------------

Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	100,000
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Increase in accrued interest reported as an expenditure in the statement of activities but not in the fund statements	(152,974)
---	-----------

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities but not in the fund financial statements	(29,391)
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Change in Net Assets - Full-accrual Basis	\$ (406,751)
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Grosse Pointe Public Library

Notes to Financial Statements June 30, 2005

Note 3 - Budget Information

The annual budget is prepared and adopted by the Library board and subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that operating transfers have been budgeted in the revenue and expenditures rather than as other financing sources and uses. During the current year, the budget was amended in a legally permissible manner.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget can be found in the basic financial statements. Within the General Fund, repairs and maintenance actual expenditures exceeded the budget by \$100,000, which represents the amount paid to the City of Grosse Pointe Park for the parking lot.

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library does not have any specified financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all items of the state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

Note 4 - Deposits and Investments (Continued)

The Library's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Library had approximately \$6.3 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 8,360,938	AAAm	S&P

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2005

Note 5 - Capital Assets

Capital asset activity of the Library was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Capital assets not being depreciated:				
Land	\$ 597,530	\$ -	\$ -	\$ 597,530
Construction in progress	<u>3,035,004</u>	<u>7,349,400</u>	<u>-</u>	<u>10,384,404</u>
Subtotal	3,632,534	7,349,400	-	10,981,934
Capital assets being depreciated:				
Buildings and improvements	1,453,178	9,071	-	1,462,249
Library books	2,280,876	435,584	(201,100)	2,515,360
Audiovisual material	1,104,959	124,807	(49,065)	1,180,701
Furniture and equipment	<u>1,786,581</u>	<u>302,002</u>	<u>(58,240)</u>	<u>2,030,343</u>
Subtotal	6,625,594	871,464	(308,405)	7,188,653
Less accumulated depreciation	<u>(2,587,434)</u>	<u>(525,784)</u>	<u>285,110</u>	<u>(2,828,108)</u>
Net capital assets being depreciated	<u>4,038,160</u>	<u>345,680</u>	<u>(23,295)</u>	<u>4,360,545</u>
Net capital assets	<u>\$ 7,670,694</u>	<u>\$ 7,695,080</u>	<u>\$ (23,295)</u>	<u>\$ 15,342,479</u>

Capital assets, including library books and audiovisual materials, are recorded at cost. Depreciation expense was \$525,784 for the year ended June 30, 2005.

Construction Commitments - The Library has active construction projects at year end. The projects include the projects related to the 2003 park bond issue and the 2004 woods bond issue. At year end, the Library's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Park branch	\$ 5,520,478	\$ 25,800
Woods branch	<u>4,516,011</u>	<u>3,509,191</u>
Total	<u>\$ 10,036,489</u>	<u>\$ 3,534,991</u>

Grosse Pointe Public Library

Notes to Financial Statements June 30, 2005

Note 6 - Long-term Debt

Outstanding Debt

A summary of the debt outstanding of the Library at June 30, 2005 is as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
General obligation bonds:							
2003 building and site							
Amount of issue - \$9,900,000	2.50%-	\$100,000-	\$ 9,900,000	\$ -	\$ 100,000	\$ 9,800,000	\$ 100,000
Maturing through 2028	4.5%	\$700,000					
2004 building and site							
Amount of issue - \$8,580,000	3.00%-	\$80,000-	-	8,580,000	-	8,580,000	80,000
Maturing through 2029	4.75%	\$700,000					
Other long-term liabilities -							
Compensated absences	-	-	16,955	29,391	-	46,346	2,280
Total long-term debt and other long-term liabilities			\$ 9,916,955	\$ 8,609,391	\$ 100,000	\$ 18,426,346	\$ 182,280

The compensated absences represent the estimated liability to be paid employees under the Library's vacation and sick pay policy. Under the Library's policy, employees earn time based on time of service with the Library.

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2005 (excluding employee benefits), including both principal and interest, are as follows:

Years Ending June 30	Principal	Interest	Total
2006	\$ 180,000	\$ 767,150	\$ 947,150
2007	300,000	760,700	1,060,700
2008	400,000	750,450	1,150,450
2009	500,000	735,950	1,235,950
2010	500,000	718,950	1,218,950
2011-2015	3,000,000	3,290,438	6,290,438
2016-2020	4,100,000	2,575,925	6,675,925
2021-2025	5,100,000	1,587,636	6,687,636
2026-2029	4,300,000	374,625	4,674,625
Total	\$ 18,380,000	\$ 11,561,824	\$ 29,941,824

Note 7 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for health, disability, life, workers' compensation, and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past fiscal years.

Note 8 - Pension Plan

Plan Description - Certain Library employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each participating entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash-disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent of the covered payroll to the plan for the period from October 1, 2004 through June 30, 2005. Basic plan members make no contributions, but contribute to a Member Investment Plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The Library's contributions to the MPERS plan for the years ended June 30, 2005, 2004, and 2003 were \$70,880, \$63,149, and \$67,747, respectively.

Postemployment Benefits - Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the Library's total contribution to the MPERS plan discussed above.

The Library's 2005 contributions represented less than 1 percent of the total employer contributions.

Note 9 - Defined Contribution Pension Plan

The Library provides pension benefits to all of its union employees and nonunion full-time or part-time (20 hours or more) administrative employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Through contractual obligations, the Library will provide a dollar-for-dollar match of employee contributions (by payroll deduction) up to a maximum payment by the board of 3 percent of base salary of the employee. In accordance with these requirements, the Library contributed \$18,556 in 2005.

July 15, 2005

Members of the Board of Trustees
Grosse Pointe Public Library
10 Kercheval
Grosse Pointe Farms, MI 48236

Dear Members of the Board:

We recently completed our audit of the financial statements of the Grosse Pointe Public Library for the year ended June 30, 2005. As a result of our procedures and observations, we offer the following comments for your consideration.

Reporting Changes

Grosse Pointe Library Foundation (the "Foundation") - Governmental Accounting Standard Board Statement Number 39 requires that certain entities, such as the Foundation, associated with the Library that are significant and provide a direct benefit to the Library be included in the Library's report. The Foundation's most recent audited report's financial data is included as a separate column on the Library's Statement of Net Assets and Statement of Activities.

GASB 40 - Governmental Accounting Standard Board Statement Number 40 changed the Library's required disclosure related to deposits and investments. GASB 40 includes separate risk disclosures in four areas, as applicable to the Library's investments: custodial, interest rate, credit, and foreign currency. While not required by GASB 40, we encourage the Library to review its current investment policy and consider addressing any applicable risks included in GASB 40.

Other Matters

During our audit process we attempt to identify opportunities for the library to revise or update its system of internal control. The primary goal of internal control is to provide reasonable (as opposed to an absolute) protection to the library and its assets and financial information. We appreciate the library has limited resources and must look to maximize the benefits from the resources it utilizes. With that in mind, we offer the following related to the bank reconciliation process for consideration as the Library continues to improve its operations.

As we have noted in the past, we commend the Library for the timeliness of the bank reconciliation process. In addition, we were pleased to note an additional control implemented this year by having someone independent of the bank reconciliation process review the bank statements as they are received. However, a more formal review of the completed bank account reconciliations, as evidenced by the signature and approval of someone that understands the reconciliation process such as a supervisor, would add to the effectiveness of the reconciliation process. While no reconciling errors

were noted in the current year, a more formal review of the bank reconciliations may detect errors in the preparation process that may otherwise go undetected. This will ensure that differences are followed up on in a timely manner, and ensure that all cash transactions are properly accounted for.

We thank you for the opportunity to serve the Grosse Pointe Public Library. We also express our appreciation for the courtesy and cooperation extended to our staff by the administration during the audit. If you have any questions regarding any of the information noted above or presented in the financial statements, please feel free to call us at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC

A handwritten signature in black ink that reads "Christina M. Kostiuk". The signature is written in a cursive, flowing style.

Christina M. Kostiuk

Cc: Vickey Bloom, Director of Libraries